

By John Otte

Hot numbers

*Use summer's heat to
compile data that helps you
evaluate your business
in the cool light of reason*

- Remember the month-by-month cash flow projection you made for your lender last winter? The one where you inked in \$7 for remaining 2012-crop corn sales and \$6 for harvest 2013 delivery of new-crop corn? Hopefully, you sold enough old crop to meet your \$7 average, and you've booked enough new crop to be tracking toward that \$6 average.

Either way, now is the time to do a year-to-date comparison of your projection with your actual cash flow to track the items where you're ahead and identify the ones where you're behind. You'll either be ahead or behind your projected net cash flow. If you're behind, start figuring how to make up the difference.

"We sense that many farmers put pretty aggressive crop prices into their cash flow projections," says Bob Craven, director of the Center for Farm Financial Management in the department of applied economics at the University of Minnesota. "Some farmers have not moved grain at prices they projected. They have the greatest need to determine how far they are off track."

Think ahead to year-end

Category totals in your year-to-date cash flow, plus projections for remaining months, position you to project your 2013 annual profit-and-loss statement. Projecting the P&L positions your accountant to run tax scenarios.

Expected earnings and taxes provide insight into potential capital investment opportunities. Running pro forma financials, including those capital investments, will enable you to evaluate whether you can swing them financially, plus size up your risk position if you do make them.

Craven, who is also involved in his family's farming operation, is already looking at 2014

